How do markets determine prices?

**Law of Supply**
There is a direct, or positive, relationship between the price of a good or service and the quantity supplied of that good or service.

\[ \text{Price} = P \Rightarrow \text{Quantity supplied} = Q_s \]

**Law of Demand**
There is an inverse or negative relationship between the price of a good or service and the quantity demanded of that good or service.

\[ \text{Price} = P \Rightarrow \text{Quantity demanded} = Q_d \]

### Chocolate Bar Supply Curve
If P rose from $2.00 to $1.60
Then Qs fell from 500 to 400 bars

### Chocolate Bar Demand Curve
If P rose from $2.00 to $1.60
Then Qd rose from 100 to 200 bars

### Determinants of Supply
- Changes in the number of sellers
- Changes in the number of buyers
- Technology
- Changes in consumer expectations
- Changes in prices of related goods
- Changes in the costs for factors of production

### Determinants of Demand
- Changes in the number of sellers
- Changes in consumer expectations
- Changes in prices of related goods
- Changes in the price of complementary goods
- Changes in income
- Changes in prices of substitute goods

### Market Equilibrium
When a market is in equilibrium, the quantity demanded equals the quantity supplied at the price that clears the market. This is the equilibrium price.

\[ Q_d = Q_s \Rightarrow P = P_{eq} \]

Learn more about this topic and download a copy of this infographic by visiting frbatlanta.org/education/classroom-tools/infographics.